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February 8, 2005

Mr. Charles Terreni  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
P.O. Drawer 11649  
Columbia, SC 29211

IN RE: Docket No. 2005-7-C - Application of Farmers Telephone Cooperative, Inc. For Approval to Increase Depreciation of Office Furniture, Office Support Equipment, and General Purpose Computers

Dear Mr. Terreni:

The Office of Regulatory Staff (ORS) has reviewed Farmer Telephone Cooperative's Application for Approval to Increase Depreciation Rates. As part of our review, Farmers Telephone Cooperative has provided our office supplemental information. Also, ORS has compared Farmers Telephone Cooperative's proposal to rates or service lives authorized on a federal level and the rates reported by South Carolina Incumbent Local Exchange Carriers in their 2003 Annual Reports to the Commission. ORS does not oppose the Commission's approval of the proposed rates for Office Furniture and General Purpose Computers because the Cooperative's proposal is in line with the rates used by other incumbent local exchange carriers. ORS did have concerns with the proposed rate for office support equipment.

With regard to the proposed rate for Office Support Equipment, which is comprised of copiers, printers, and similar office equipment, South Carolina incumbent local exchange carriers have reported the use of depreciation rates which vary over a range of 4.0% to 10.49%. Farmers Telephone Cooperative has proposed a depreciation rate of 20%. A review of supplemental information provided by Farmers indicates that the Cooperative had significant retirements in this account during the year 2003. These retirements created a situation where the company has a negative reserve. The negative reserve is an indicator that the current rate of 6.0% was inadequate. Additionally, the retirements in Office Support Equipment provided by Farmers Telephone Cooperative for the year 2004 was significantly lower than the retirements for 2003. In consideration of the information available for our review, ORS would suggest that the Commission consider approval of a

more conservative depreciation rate of 10.5% which translates to a projected service life of 9.5 years. ORS has shared this recommendation with Jeff Lawrimore, Chief Financial Officer, for Farmers Telephone Cooperative. Mr. Lawrimore indicated that the Cooperative will accept the 9.5 year life.

Please feel free to contact me if you have any questions or concerns related to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim McDaniel", with a large, stylized flourish extending from the end of the signature.

Jim McDaniel

Program Manager – Telecommunications  
Office of Regulatory Staff

C: Brad Erwin, General Manager, Farmers Telephone Cooperative  
Jeff Lawrimore, Chief Financial Officer, Farmers Telephone Cooperative  
Florence Belser, General Counsel, ORS